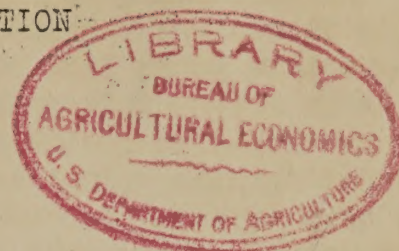


(Draft for Committeemen)

July 30, 1938

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION



WHAT ABOUT WHEAT IN 1939?

This summary of the wheat situation is based on information available in midsummer 1938. It contains the most recent and reliable estimates in regard to prospective world supplies for the marketing year ending July 1, 1939. Although the statements and figures herein are still subject to change after the amount of this year's harvest is more definitely determined, the current situation presages conditions next year which wheat farmers will want to study carefully in planning their seeding operations.

National and State wheat acreage allotments for the 1939 wheat crop were announced on July 15 and on July 21, 1938, respectively. These allotments became effective in accordance with the terms of the Agricultural Adjustment Act of 1938, which requires that acreage allotments be established by the Secretary of Agriculture.

Indications are that the total supply of wheat in the United States for 1938 is likely to be so large as to jeopardize the income of the wheat producers of the United States. Not since the fall of 1932 have wheat farmers faced a situation like that confronting them now. Unless unforeseen conditions develop in the next 30 days which will materially cut down the size of the world wheat crop, the world crop of 1938 will set a new all-time record for size.

As they enter the new crop year, however, United States wheat farmers do so with the double advantage of having had the valuable experience gained in cooperatively meeting a similar situation in 1933, and of having the wheat program which the Federal Government has placed at their disposal for the solution of their basic economic problems. The program includes wheat acreage adjustment, crop insurance, wheat loans, surplus buying for relief, and marketing quotas.

Farmers will receive their farm wheat acreage allotments before seeding time. Whether or not they seed within their wheat acreage allotment is a matter of choice with them. However, in view of the supplies of wheat in sight for this year and next, they will want to weigh carefully the advantages of cooperating in the national wheat program against the danger of ruinous prices resulting from excessive seedings for harvest in 1939.

Farmers who comply with their 1939 wheat acreage allotments will thus qualify themselves for the advantages of the AAA Program such as price-adjustment payments this year; 1939 conservation payments; 1939 wheat loans, if a loan program is in effect next year; and renewal of crop-insurance policies next year. If wheat marketing quotas are needed in 1939 and are approved by two-thirds of the wheat farmers voting in a referendum, they will be placed in effect on the basis of a uniform percentage of these acreage allotments and the normal yield for the farm. There will be a referendum on quotas if supplies exceed normal domestic consumption and exports of wheat by more than 25 percent.

WHEAT ACREAGE IN THE UNITED STATES

The Acreage Situation

The acreage seeded to wheat in the United States for the 1938 crop is estimated at 81,088,000 acres, as compared with 81,362,000 acres for 1937. (See table 1.) The area seeded for 1938 is almost 14,000,000 acres more than the average for 1928-32, when our largest previous surpluses accumulated. At normal yields of 12 bushels per acre, average domestic requirements of 683,000,000 bushels and average exports of 70,000,000 bushels could be produced on 63,000,000 seeded acres.

All regions of the United States, except those where extremely dry weather has prevailed, have increased their wheat acreage in recent years. Farmers in the Great Plains region have increased their plantings in response to the stimulus of higher wheat prices. Farmers in the Corn Belt have planted wheat on grass and clover land after the grasses and clovers were killed out by the droughts of 1934 and 1936. Farmers in the eastern States have planted wheat as a winter cover crop in an effort to control erosion. (See Table 2.)

The Acreage Problem

With the amount of wheat in prospect at the close of the present marketing year, an acreage allotment sufficient to produce the reserve supply of wheat in 1939 required in the Agricultural Adjustment Act of 1938 as originally passed might have been as low as 45,000,000 to 50,000,000 seeded acres. These acreage allotment figures would have represented about 60 percent of the national acreage seeded for 1938, and would have required a 40 percent reduction in the national wheat acreage. Because an immediate reduction in acreage as drastic as this would have been too severe on many farmers who wanted to cooperate in the program, Congress amended the Agricultural Adjustment Act of 1938 so as to provide that the national wheat acreage allotment for 1938 could not be less than 55,000,000 acres.

The problem facing United States wheat growers this fall, therefore, is to adjust their farming operations for 1939 so as to bring their seeded wheat acreage from 81,000,000 acres down to 55,000,000 acres. Faced last spring with a comparable situation, cotton farmers reduced their acreage from 41,000,000 acres for the 1928-32 period and 34,000,000 acres in 1937 to 27,000,000 acres in 1938.

TABLE 1

Wheat: Estimated Acreage Seeded in the United States for the Years 1919 to 1938 inclusive

Year	Acreage Seeded	Year	Acreage Seeded
	1,000 acres		1,000 acres
1919	77,440	1929	66,840
1920	67,977	1930	67,150
1921	67,681	1931	65,998
1922	67,163	1932	65,913
1923	64,510	1933	68,485
1924	55,706	1934	63,562
1925	61,738	1935	69,207
1926	60,712	1936	73,724
1927	65,661	1937	81,362
1928	71,152	1938 <u>1/</u>	81,088

1/ Preliminary.

Source: Bureau of Agricultural Economics,
U. S. Department of Agriculture.

TABLE 2

Wheat: Acreage Seeded in the United States, by States, 1928-32 Average and 1938

Region and State	Acreage Seeded 1928-32 Average	1938 1/	
		Acreage Seeded	Increase Over 1928-32 Average
	1,000 acres	1,000 acres	1,000 acres
Northeast			
Connecticut	0	0	0
Maine	5	5	2
Massachusetts	0	0	0
New Hampshire	0	0	0
New Jersey	55	72	17
New York	249	311	62
Pennsylvania	1,004	1,093	89
Rhode Island	0	0	0
Vermont	1	0	- 1
Total	1,312	1,481	169
East Central			
Delaware	100	85	-15
Kentucky	293	614	321
Maryland	475	488	13
North Carolina	363	524	161
Tennessee	318	562	244
Virginia	626	678	52
West Virginia	121	167	46
Total	2,296	3,118	822
Southern			
Alabama	3	8	5
Arkansas	36	94	58
Florida	0	0	0
Georgia	70	234	164
Louisiana	0	0	0
Mississippi	0	0	0
Oklahoma	4,685	5,959	1,274
South Carolina	72	180	108
Texas	3,929	5,315	1,386
Total	8,795	11,790	2,995
North Central			
Illinois	2,365	2,474	109
Indiana	1,797	2,029	232
Iowa	426	686	260
Michigan	781	917	136
Minnesota	1,445	2,582	1,137
Missouri	1,687	2,717	1,030
Nebraska	3,847	5,041	1,194
Ohio	1,913	2,415	502
South Dakota	3,777	4,277	500
Wisconsin	103	128	25
Total	18,141	23,266	5,125

TABLE 2 (Continued)

WHEAT: Acreage Seeded in the United States, by States,
1928-32 Average, and 1938

Region and State	1938 1/		
	Acreage Seeded	Acreage	Increase Over
	1928-32 Average	Seeded	1928-32 Average
	1,000 acres	1,000 acres	1,000 acres
<u>Western</u>			
Arizona	24	45	21
California	725	815	90
Colorado	1,904	1,846	-58
Idaho	1,220	1,253	33
Kansas	13,290	17,453	4,163
Montana	4,527	4,918	391
Nevada	15	20	5
New Mexico	443	438	-5
North Dakota	10,568	10,634	66
Oregon	1,046	1,013	-33
Utah	278	294	16
Washington	2,452	2,295	-157
Wyoming	375	409	34
Total	36,867	41,433	4,566
United States Total	67,411	81,088	13,677

1/ Preliminary. Winter wheat seeded, as published in December, 1937 "Crops and Markets" and revised in May, 1938, U.S. Crop Report, plus spring wheat seeded, as published on July 18, 1938.

Source: Bureau of Agricultural Economics, U.S. Department of Agriculture.

WHEAT SUPPLIES AND CARRYOVER

The Supply Situation

The United States Crop Report for July indicated a winter-wheat crop of 715,425,000 bushels and a spring-wheat crop of 251,987,000 bushels, or a total of more than 967,000,000 bushels.

"A crop of this size," states the Bureau of Agricultural Economics in the July issue of "The Wheat Situation", "would be about 285,000,000 bushels in excess of the ten-year (1928-1937) average domestic disappearance of 683,000,000 bushels. The carryover on July 1 this year is now estimated at about 180,000,000 bushels, and with prospects for exports in 1938-39 less favorable than in the crop year just ending, the carryover into July 1939 might exceed the record carryover of 378,000,000 bushels on July 1, 1933."

The Problem of Supply and Carryover

As wheat farmers will recall from their experiences in 1930, 1931, and 1932, excessive supplies and carryovers of wheat mean low prices and congested markets. Moderate reserves held as premiums by the Federal Crop Insurance Corporation, or held in any other way which would keep the wheat off the market, might reduce the pressure from a moderate surplus. But excessive surpluses such as are indicated for 1938 will result in lower prices no matter what policy is followed.

TABLE 3

Wheat: Estimated Carryover, Production, and Total Supply
in the United States, 1923 to 1938 inclusive

Year Beginning July 1	Carryover Beginning of Year <u>1</u> / million bushels	Production million bushels	Total Supply <u>2</u> / million bushels
1923	132	759	891
1924	137	842	979
1925	108	669	777
1926	100	832	932
1927	110	875	985
1928	112	914	1,026
1929	228	823	1,051
1930	289	887	1,176
1931	313	942	1,255
1932	375	757	1,132
1933	378	552	930
1934	274	526	800
1935	148	626	774
1936	142	627	769
1937	91	874	965
1938 <u>3</u> /	180	967	1,147

1/ Includes small total amount of new wheat in some years previous to 1937.

2/ Total supply as defined in the Agricultural Adjustment Act of 1938 is carryover plus production.

3/ Preliminary estimates.

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture.

WHEAT EXPORTS FROM THE UNITED STATES

The Export Situation

The total volume of world trade in wheat, as measured by net exports of wheat-exporting countries, averaged 663,000,000 bushels annually in the pre-war period 1909-13. Net exports for all countries increased to 736,000,000 bushels annually for the five years 1920-24 and to 791,000,000 bushels annually for the five years 1925-29. World trade amounted to 947,000,000 bushels in the year 1928-29. In recent years world trade has dwindled to less than 600,000,000 bushels annually, and a preliminary estimate indicates total world trade of only 495,000,000 bushels for the year 1937-38. Before the war, exports from the United States averaged 16 percent of the world total. In the 5-year period 1920-24 the United States supplied 31 percent of the total export trade in wheat. By 1932 our share had declined to 5 percent of the world total. For the year 1937-38 it is estimated that United States exports of 98,000,000 bushels amounted to 19.8 percent of the world total. (See Table 4.)

World trade has declined because of restrictions such as tariffs and milling quotas in importing countries and because of the effort of most importing nations to increase their domestic production. It does not seem likely that the total world trade in wheat will approach an average of 600,000,000 bushels annually until international policies are changed materially.

The Export Problem

Two problems face United States wheat growers who plan to continue to produce wheat for export. One problem is that of increasing world trade. This involves reducing tariffs and other barriers against the free flow of wheat in international commerce. The second problem is that of maintaining a fair share of the total world trade for the United States.

In this connection, a wheat marketing reviewer in Europe is reported to have suggested that the world's import requirements in 1938-39 might be filled without any exports from the United States, Russia, or India. The 1938-39 requirements, which this reviewer estimated at 500,000,000 bushels, might possibly be supplied through shipments of 200,000,000 bushels from Canada, 130,000,000 bushels from Argentina, 110,000,000 bushels from Australia, and 60,000,000 bushels from the Danube Basin.

Although other countries could, presumably, supply all import needs, it is not expected that the United States will withdraw from the export market. But, with world trade restricted, the significant fact is that any increase in exports from one country will result in a decrease in exports from other countries. When United States wheat farmers seed 80,000,000 acres, they are, in effect, saying to the rest of the world that the United States is making a definite effort to get an unusually large share of the world export market, regardless of price.

TABLE 4

Wheat, including flour: Net Exports of all Net Exporting Countries and U. S. Net Exports

Year August-July	Net Exports of all Net Exporting Countries million bushels	U. S. Net Exports million bushels	% U. S. is of all Net Exporting Countries percent
1909-10 to 1913-14 <u>1/</u>	663	105	15.8
1920-21 to 1924-25	736	231	31.4
1925-26 to 1929-30	791	159	20.1
1930-31	839	116	13.8
1931-32	795	115	14.5
1932-33	630	33	5.2
1933-34	555	29	5.2
1934-35	541	4 <u>3/</u>	---
1935-36	523	31 <u>3/</u>	---
1936-37	609	17 <u>3/</u>	---
1937-38 <u>1/</u> <u>2/</u>	495	98	19.8

- 1/ Years beginning July.
2/ Preliminary estimates.
3/ Net imports.

Sources: 1909-10 to 1913-14, U.S. Department of Agriculture Yearbook, 1928, page 685.
 1923-24 to 1936-37, Food Research Institute of Stanford University, "WHEAT STUDIES," Volume XIV, No. 4, page 170.
 1937-38, Bureau of Agricultural Economics, U.S. Department of Agriculture, "THE WHEAT SITUATION" for May 1938.
 U.S. net exports are a later estimate.

WHEAT UTILIZATION IN THE UNITED STATES

Changes in Utilization

Since 1929 the amount of wheat milled annually for human consumption and commercial feeds in the United States has varied within the comparatively narrow range of 480,000,000 and 514,000,000 bushels. Although per capita consumption of wheat in the United States has been decreasing since before the war, increases in the population have tended to offset the decline in per capita consumption. For the next few years it appears likely that domestic

milling requirements will average close to 500,000,000 bushels. The average domestic utilization for the 1928-37 period was 683,000,000 bushels, of which approximately 85,000,000 bushels were used for seed, 100,000,000 bushels were used for livestock feed on farms where wheat is raised, and 498,000,000 bushels were milled either for flour or for commercial feeds. The amount fed to livestock has varied from 28,000,000 bushels in 1925-26, when wheat prices were relatively high, to 174,000,000 bushels in 1931-32, when wheat prices were very low. (See Table 5.)

The Outlook for Utilization

Normal domestic requirements for the future may be around 650,000,000 bushels, including 500,000,000 bushels for milling, 75,000,000 bushels for feeding to livestock, and 75,000,000 bushels for seed. Efforts to increase the per capita consumption of white bread have not produced measurable results. Increases in the amount of wheat fed to livestock can be expected only when prices are low.

TABLE 5

Wheat: Estimated utilization in the United States,
1923-24 to 1937-38 inclusive

Crop year	Seed million bushels	Feed (fed on farms of wheat growers) million bushels	Foods and - Commercial Feeds million bushels	Total Domestic Utilization 1/ million bushels
1923-24	74	70	479	623
1924-25	80	56	480	616
1925-26	79	28	477	584
1926-27	83	34	500	617
1927-28	90	45	546	681
1928-29	84	57	516	657
1929-30	83	59	480	622
1930-31	81	157	512	750
1931-32	80	174	503	757
1932-33	84	125	514	723
1933-34	78	72	480	630
1934-35	83	84	491	658
1935-36	87	83	492	662
1936-37	96	93	502	691
1937-38 2/	95	100	490	685

- 1/ Includes shipments of wheat and flour to non-contiguous U. S. territories.
2/ Preliminary.

Source: Bureau of Agricultural Economics, U.S. Department of Agriculture.

WHEAT INCOME AND PRICES

The Price Situation

In reviewing the price outlook in July 1938, the Bureau of Agricultural Economics of the U. S. Department of Agriculture stated:

"If there is not much change in demand, the large wheat supply in prospect will result in lower world prices than were received in 1937-38. With supplies in the United States large, domestic prices are expected to continue below world levels. World and domestic wheat prices now have largely adjusted to the new crop basis, and changes in the next month or so will probably be affected chiefly by changes in spring wheat conditions in the United States and Canada. The price effects of large wheat supplies may be offset to some extent by buoyancy reflected in the speculative markets and in the general price level. While only a part of the wheat supplies in excess of domestic utilization will come under the wheat loan, it is nevertheless expected that the loan will serve as a check on further domestic price declines."

As a result of the larger world wheat supplies, prices of imported wheat at Liverpool averaged \$1.01 in June 1938 as compared with \$1.33 in June 1937. Farm prices in the United States declined from \$1.27 in April 1937 to 70 cents in June 1938. During the crop years 1930-31, 1931-32, and 1932-33, farm prices averaged 67 cents, 39 cents, and 38 cents respectively. (See Table 6.) These were the only other years when total wheat supplies in the United States have exceeded 1,100,000,000 bushels.

The Price and Income Problem

If prices are maintained above world levels for all of our wheat available for sale, surpluses tend to pile up in the United States and to depress prices in future years. On the other hand, if prices are allowed to descend to world levels at times when the wheat markets in other countries are demoralized, the cash return to American wheat growers is inadequate. In order for our wheat growers to dispose of excess supplies abroad, and at the same time to receive an income which will enable them to maintain a fair standard of living and to purchase the products of American factories, it is apparent that farmers need additional income on the domestically-consumed portion of their wheat crop. A so-called two-price system might be maintained by means of export subsidies. Export subsidies, however, tend to be offset by countervailing duties on the part of other nations, involving considerable expense on the part of the United States. Moreover, the higher price at the seaboard is not always fully reflected to the producer of the wheat. Under the Wheat Adjustment Program for 1933-35, greater income to wheat producers was secured in the form of payments on the domestically-consumed portion of the crop. Funds for this purpose were obtained by means of processing taxes.

A payment of 12 cents per bushel of normal yield is being made for each acre in the wheat acreage allotment under the 1938 Agricultural

Conservation Program. The amount of the wheat payment under the 1939 program has not as yet been determined. The Price Adjustment Act of 1938 provides for additional payments to producers who keep within their acreage allotments for 1939. These payments are in addition to Agricultural Conservation payments.

Cash income from wheat declined from \$864,000,000 in 1927 to \$179,000,000 in 1932. The cash income for wheat sold in 1937 was \$666,549,000.

TABLE 6

Wheat: Prices at Liverpool and Chicago, United States
Farm Price, and Parity Price, 1923-24 to 1937-38 inclusive

Crop Year	Imported Wheat Parcels at Liverpool	No. 2 Hard Winter Wheat at Chicago	Farm Price	Parity Price
	cents per bushel	cents per bushel	cents per bushel	cents per bushel
1923-24	120.8	105.8	92.6	145.0
1924-25	175.7	138.8	124.7	148.5
1925-26	168.9	161.0	143.7	149.4
1926-27	162.8	140.1	121.7	147.6
1927-28	151.9	138.5	119.0	147.6
1928-29	127.5	117.2	99.8	147.6
1929-30	129.2	129.7	103.6	145.0
1930-31	79.7	84.5	67.1	132.6
1931-32	59.2	52.9	39.0	114.0
1932-33	53.8	52.7	38.2	102.5
1933-34	68.2	94.1	74.4	109.6
1934-35	80.6	102.5	84.8	115.8
1935-36	90.0	103.9	83.2	112.3
1936-37	125.8	116.5	102.6	117.6
1937-38	124.5	118.0	99.4 ^{1/}	116.7

^{1/} Preliminary estimate.

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture.

THE WORLD SITUATION AND OUTLOOK

The Situation

The world supply of wheat (excluding Russia and China) declined from 4,978,000,000 bushels in 1933-34 to 4,383,000,000 bushels in 1937-38. The world carryover on July 1, 1937, was 556,000,000 bushels, as compared with 1,194,000,000 bushels on July 1, 1934.

The "Wheat Situation", for July 23, 1938, summarizes the world wheat situation as follows:

"Prospective world wheat supplies (excluding Russia and China) for the year beginning July 1, 1938, are now estimated at 4,850,000,000 bushels or about 475,000,000 bushels above those of a year earlier and are the largest on record except for the 1930-33 period. The 1938-39 world production is now tentatively placed at about 4,200,000,000 bushels, which is 375,000,000 bushels above that of last year. If present prospects materialize this will be an all time record. The largest previous world crop was in 1928, estimated at 3,996,000,000 bushels."

Estimated world disappearance of wheat in the last five years has varied from 3,757,000,000 bushels to 3,818,000,000 bushels. Thus it seems likely that any production in excess of about 3,800,000,000 bushels produced in 1938 will be added to the world carryover on July 1, 1939. The world wheat surplus apparently reached a low point on July 1, 1937, and is now once more on the increase. (See Table 7.)

TABLE 7

Wheat: Estimated World Stocks, Production, and Disappearance,
1923-24 to 1937-38 inclusive

Year	World Stocks on About July 1	World Production (excluding Soviet Russia and China)	Total Disappearance
	million bushels	million bushels	million bushels
1923-24	579	3,519	3,396
1924-25	723	3,127	3,280
1925-26	570	3,380	3,321
1926-27	656	3,494	3,511
1927-28	688	3,673	3,612
1928-29	754	3,996	3,722
1929-30	1,028	3,584	3,675
1930-31	944	3,847	3,849
1931-32	1,054	3,865	3,947
1932-33	1,042	3,865	3,781

Continued

(Continued)

Year	World Stocks on About July 1	World Production (excluding Soviet Russia and China)	Total Disappearance
	million bushels	million bushels	million bushels
1933-34	1,143	3,835	3,818
1934-35	1,194	3,543	3,786
1935-36 <u>1/</u>	953	3,594	3,806
1936-37 <u>1/</u>	773	3,536	3,757
1937-38 <u>1/</u>	556	3,827	3,770

1/ Preliminary.

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture.

WHEAT PROVISIONS OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938

Farmers should keep in mind that the provisions made for the wheat program are only a part of the general national AAA farm program. Farmers throughout the country have been cooperating under the national Agricultural Conservation Program for the last two years. This national program to conserve the Nation's soil resources will, of course, continue as before.

The Agricultural Adjustment Act of 1938, however, recognized that there were certain basic commodities for which special provisions,--that is, provisions in addition to those contained in the Soil Conservation and Domestic Allotment Act of 1936, as amended,--were necessary for a well-balanced national farm program. Wheat is one of these basic commodities.

The various separate features of the national AAA farm program, as they apply to wheat, are summarized in this leaflet. All of them should be considered in addition to the general Agricultural Conservation Program.

Wheat is one of five commodities for which special provisions are made in the Agricultural Adjustment Act of 1938. These provisions, as they relate to wheat, were written into the Act to give wheat farmers a chance to work out a sound national wheat policy. The principal features of the Act, applicable to wheat, are:

(1). Acreage Allotments: As part of a continuing wheat program, the Act provides for annual wheat acreage allotments which will keep supplies of wheat in the United States at or near

sound economic levels. Planting within these wheat acreage allotments is a voluntary matter. Farmers who comply with their allotments, however, become eligible for price adjustment payments, Agricultural Conservation payments, wheat loans when made available, and renewal of crop insurance policies.

(2). Crop Insurance: Beginning with the 1939 crop, farmers may insure their wheat crop for one-half or three fourths of their normal yields.

(3). Wheat Loans: Loans may be made to wheat farmers under certain specified conditions.

(4). Surplus Buying for Relief: Under Section 32 of the Amendments to the Agricultural Adjustment Act approved in August 1936, the Federal Government is authorized to purchase surplus agricultural commodities for relief distribution and to otherwise aid the disposal of surplus commodities.

(5). Marketing Quotas: Under emergency conditions, when the total wheat supply reaches certain excessive levels, wheat farmers can decide, through a referendum, whether marketing quotas should be used for wheat. The question of whether or not there will be marketing quotas is one which the farmers must decide for themselves.

All of these five provisions are important in developing a national wheat policy and program. The most significant things in these new provisions and their relation to national wheat policy are discussed on the following pages.

ACREAGE ALLOTMENTS - THE WHEAT FARMER'S WEAPON AGAINST RUINOUS PRICES.

The Agricultural Adjustment Act of 1938 provides for wheat acreage allotments under the Conservation Program. It also provides for acreage allotments which are to be used in determining eligibility for loans and for calculating the amounts of farm marketing quotas.

The acreage allotments represent seeded acreage. The national allotment for wheat must be ascertained and proclaimed not later than July 15 of each marketing year. The national allotment for seedings in the fall of 1938 and the spring of 1939 was announced on July 15, 1938, as 55,000,000 acres. This is a larger allotment than would have been possible under the original provisions of the Act. Due to the severe immediate reduction which would have been required for 1939 under the Act, Congress passed an amendment which set 55,000,000 acres as a minimum for the 1939 national wheat acreage allotment.

Under the Act, as amended with respect to the 1939 wheat acreage allotment, the national wheat acreage allotment for each future year must be an acreage which will, on the basis of the national average yield for

wheat, produce enough wheat, together with the estimated carryover, to make available a supply equal to a normal year's domestic consumption and exports, plus 30 percent thereof.

The 1938 national acreage allotment of 62,500,000 acres was specifically provided in the Act only for the purpose of determining agricultural conservation payments on wheat farms cooperating in the 1938 Agricultural Conservation Program. In determining the payment to which a wheat producing farmer is entitled under the conservation program in 1938, the payment is calculated on the basis of the number of bushels normally produced on the acreage seeded within the wheat acreage allotment.

Planting within the acreage established in their 1939 wheat acreage allotment, offers wheat farmers the opportunity to cooperate in bringing wheat supplies back nearer to normal and, thereby, to protect their income.

In view of the fact that the acreage planted for 1937 and for 1938 has been around 81,000,000 acres, wheat farmers, if they want to keep within the allotment, must make a drastic reduction from their present seedings. It could not logically be expected that with plantings as large as these, and other conditions producing normal or above normal yields, wheat prices could be maintained even at present levels which, although considerably lower than they were a year ago, are still in excess of the extreme lows reached in 1931 and 1932.

Although the 1939 acreage allotments represent a marked reduction in acreage from the current season's seedings, this is largely because of the large increases in acreage which have occurred in the last three years when there have been no specific acreage programs for wheat. It should be kept in mind that the average amount of wheat used for domestic consumption and exports for the ten years 1928-37 could be raised on 63,000,000 seeded acres with normal abandonment and yields.

The national acreage allotment for 1939 represents a reduction from the national 1928-32 average seeded acreage of about 18 per cent. In 1934, the first year that the original wheat adjustment program was effective, cooperating farmers agreed to reduce their plantings from their base wheat acreage by 15 per cent.

The 1939 wheat allotments to States have been calculated by a method which applies uniformly for all States. This method allots each State its proportionate share of the national wheat acreage allotment, based on the 10-year (1928-1937) average acreage seeded to wheat, with this average adjusted for trend by giving the average acreage of the three years, 1935, 1936, and 1937 the same weight as the 10-year average. The acreage allotments also give all States credit for acreage diverted under the AAA Adjustment and Conservation Programs. The allotment for each State is 74.36 per cent of the 1928-37 average acreage seeded and

diverted, adjusted for trends as indicated above.

The country now faces a near-record wheat surplus. The acreage allotment provisions of the Agricultural Adjustment Act leave it up to the wheat farmers of the nation to decide whether the adjustments shall be made. The question before wheat farmers and Agricultural Adjustment Administration committeemen in wheat States is whether or not, in view of the experiences of 1930-1932, they will adjust their acreage and production now or wait until low prices force reduction upon them.

CROP INSURANCE

Commencing with the 1939 crop, crop insurance will be a factor in the wheat program. Although the wheat crop insurance program is experimental in nature, present indications are that it will become an important factor in bringing balance to the wheat industry. Next to acreage adjustment, the crop insurance program should be regarded as worthy of first emphasis in the ever-normal granary plan in that it protects farmers against the losses of crop failure. Crop insurance is an important feature of the National Agricultural Program. Its primary purpose is to stabilize the income of wheat farmers. Records of previous Agricultural Adjustment Programs and of the Bureau of Agricultural Economics have been used as a basis to determine the premium rates. The administration of the crop insurance work falls into two phases. The Federal Crop Insurance Corporation has charge of warehousing all wheat paid as premiums for the insurance and of the inspection of damage to crops as a basis for payments of the farmers' losses. The Corporation also has charge of the adjustment of farmers' losses. The State and county AAA committees work in close cooperation with the Crop Insurance Corporation in providing county agricultural conservation association data and other data necessary for determining premium rates for farms which have taken part in the AAA programs. The county AAA committees also select the county crop-insurance supervisors responsible for the details incident to local administration of the crop-insurance program.

Details of the Crop Insurance Program are available in every county agricultural conservation office.

WHEAT LOANS

On July 14, 1938 a wheat loan program offering cooperating wheat producers loans at farm rates averaging between 53 and 60 cents a bushel was announced by the Secretary of Agriculture.

The loan is made under the provisions of the Agricultural Adjustment Act of 1938, and is approximately 52 percent of the present farm parity price of wheat, \$1.14 a bushel. The loans will be made by the Commodity Credit Corporation, and AAA Committees will certify producers who are eligible for loans and be responsible for grading and inspecting farm-stored wheat placed under loans. Details concerning the loan program

were released under dates of June 14, 1938 and July 14, 1938 and loan forms and instructions will be supplied to the County Agricultural Conservation Committees.

SURPLUS BUYING FOR RELIEF

Under Section 32 of the 1935 Amendments to the Agricultural Adjustment Act, the Federal Surplus Commodities Corporation may purchase certain agricultural commodities, of which there are excessive surpluses, for relief distribution.

Under these provisions, the Federal Surplus Commodities Corporation has recently purchased 2,902,225 barrels of wheat products, including 2,429,640 barrels of wheat flour; 268,975 barrels of graham flour; and 203,610 barrels of whole wheat meal, at a total cost of \$11,751,000 for these commodities. These wheat products, purchased within a period of two months, represent nearly 13,000,000 bushels of wheat. The Corporation is now purchasing wheat flour involving the equivalent of about 4,500,000 bushels of wheat.

The wheat products purchased by the Federal Surplus Commodities Corporation are being allocated to State relief agencies for distribution to persons on relief rolls. These wheat products are distributed carefully to prevent them from being resold, or otherwise competing with commercial sales. State agencies are required to distribute the products to relief families in addition to, and not in substitution for, commodities which they already buy or receive locally. Thus, those without purchasing power receive added food, and at the same time some of the surplus wheat is utilized.

MARKETING QUOTAS

The Act provides that a national marketing quota shall be announced if it appears that the total supply of wheat for any marketing year will exceed normal domestic consumption and exports by more than 35 percent. This announcement must be made not later than May 15 of any year. Then a referendum of wheat growers must be held between May 15 and June 10, and if two-thirds or more of the farmers voting in the referendum favor such action, the national marketing quota will become effective on the first of the following July.

Provision is made for collecting a penalty of 15 cents per bushel for all wheat marketed in excess of the marketing quota for any farm. This penalty would be collected by the buyer of the wheat. If the wheat was sold, the buyer would be responsible for the collection of the penalty, whether he was an elevator operator, another farmer, or any other person. Marketing wheat is defined as disposal by sale, barter, or exchange, but does not include wheat paid as premiums to the Federal Crop Insurance Corporation.

In effect, the marketing-quota sections of the Act provide for a cooperative endeavor in which two-thirds or more of the farmers voting in a referendum can impose certain marketing restrictions upon themselves and all other growers of the commodity. The amount to be marketed, however, must be sufficient to supply all domestic, reserve, and export requirements. The effect of a quota would be to place upon the farmer the responsibility for carrying over the excess supply. In carrying this excess supply, however, the farmer cooperating in the voluntary acreage adjustment program would be assisted by the Government's wheat loan program.

Thus the various separate parts of the wheat program, if utilized by the growers, can be dovetailed into one effective whole.

CONSIDERATIONS FOR A SOUND WHEAT POLICY

Acreage Policy:

Wheat acreage in the United States has fluctuated widely from year to year. When prices are high or when a large number of growers anticipate higher prices, rapid increases frequently occur. On the other hand, when wheat growing becomes relatively unprofitable, many growers who are able to shift to other crops go out of wheat production. The Agricultural Adjustment Act of 1938 offers wheat growers an opportunity to cooperate to bring about sufficient stability of acreage to stabilize wheat farming and wheat production.

Export Policy:

Another problem which wheat growers need to consider carefully is that of exports. Should the United States produce a large quantity of wheat for sale on the export market, should production be aimed only at domestic requirements, or should a middle course be pursued? Which is the wisest national policy?

The acreage planted to wheat in every year for which records are available has been sufficient, with average abandonment and average yields, to produce more than our domestic needs. The United States has been a net exporter of wheat every year since the signing of the Constitution, with the exception of 1837, 1934, 1935, and 1936. Since 1909, except during the unusual conditions which prevailed from 1932 to 1936, the United States has had 14 percent or more of the world export trade in wheat.

Price Policy:

The United States could, conceivably, maintain prices to wheat growers regardless of conditions in the rest of the world. To do this, however, would require a higher tariff in some years than the 42 cent duty now in force. It would require also a permanent reduction in our seeded

wheat area to 50,000,000 acres or less. Total income from wheat might, conceivably, be larger under an isolationist policy, but it would mean either reducing acreage on all of the farms now growing wheat or reducing the number of wheat farmers. Furthermore, under such a policy wheat prices would be so attractive in relation to the prices of other agricultural commodities that it would be almost impossible to keep wheat acreage down to the necessary level.

Another alternative in regard to prices would let them seek their normal relationship in comparison with world prices. This would permit the free flow of excess wheat into export channels. The situation which is likely to prevail throughout the world in the next few years will not permit United States wheat growers to get satisfactory prices and income on the world market. It would seem necessary, therefore, that wheat growers continue to get some additional income through price adjustment payments, agricultural conservation payments, or otherwise.

THE EVER-NORMAL GRANARY

The provisions of the Agricultural Adjustment Act of 1938 regarding (1) acreage allotments, (2) crop insurance, (3) loans, (4) surplus buying for relief, and (5) marketing quotas are not only instruments for protecting and stabilizing the income of wheat growers, but they are also instruments for protecting the consumer against violent fluctuations in the supplies of wheat. Recent years have shown how a few years of successive short crops due to drought, rust, or other uncontrollable causes, may be followed by successive seasons with wheat productions far above normal domestic consumption and export needs. These years of large wheat production may in turn be followed by several short crops. Crop insurance, loans, and marketing quotas together furnish ample opportunity for setting up reserve supplies of wheat, either on the farm or in elevators. Acreage allotments may be either large or small, depending on the carryover of old wheat at the time they are determined. If the supply in the granary is low, the national acreage allotment would be large in order to obtain a supply for normal domestic consumption and exports and also a reasonable reserve. If wheat supplies are large, the acreage allotment would be small, thereby permitting the building of the soil on many acres as a protection for the granary of the future.

THE FARMER'S PART IN A SOUND WHEAT POLICY

The wheat situation, although depending upon the outcome of this year's crop, shows a definite trend toward larger supplies and lower prices. Farmers want to continue to grow as much wheat as possible at a fair price. They want their wheat production to bring them their fair share of the national income. They want to see the United States continue to hold its share of the world wheat trade. But they know that to accomplish these objectives they must, as a group, make certain adjustments.

The Agricultural Adjustment Act of 1938 contains provisions which wheat farmers can use in working out their problems.

What courses of action are open to the individual farmer who wants to cooperate in this adjustment?

(1). He can face the wheat situation realistically, by seeding within his wheat acreage allotments for 1939.

(2). He can insure his wheat in the Federal Crop Insurance Corporation. This will help to stabilize his own operations, and it will put part of the wheat surplus in the insurance reserve where it will not be a threat upon the wheat market.

(3). He can help maintain exports by supporting a reasonable loan policy which does not peg United States prices above world prices and so does not build up a new surplus in the United States.

(4). If marketing quotas are needed in 1939, and are voted for by wheat producers, he can give these quotas a fair trial.

(5). He can conserve his soil, building up the acres not in wheat so as to give him an ever-normal granary of fertility in the soil as well as a reserve in his bins.

These are some of the things which farmers themselves can do to make the new wheat program succeed. Here are the facts as far as they can be determined. The program is voluntary. The farmers themselves must decide.

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